

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
May 19, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, May 19, 2005, at 1:00 P.M. in the 12<sup>th</sup> Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Bill Bruce, Gerald Reed for Riley Darnell, Loretta Jercinovich, Gerald Konohia, Eddie Latimer, Ann Butterworth for John Morgan, Alvin Nance, Ralph Perrey, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Bob Cooper, Dave Goetz, Winston Henning, Ronnie Knight, Tom Mottern, and Jackie West.

Chairman Latimer called the meeting to order and opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the March 17, 2005, meeting minutes. Mr. Bruce moved approval. Mr. Nance offered a second. The minutes were approved as distributed.

Ms. Janice Myrick, Executive Director, presented service award certificates to Rina Sutphin, GIS Technician in the Research Division, for 15 years; Janice Mash, Administrative Services Assistant in the Fiscal Administration Division, and Marge Dunn, Administrative Secretary in the Rental Assistance Division, for 20 years; and Sherri Osborne, Contract Renewal Specialist in the Contract Administration Division, for 25 years.

Ms. Myrick introduced Ms. Coralee Holloway who was recently appointed Acting Director of Community Programs. Ms. Holloway served as Assistant Director of Community Programs until the recent retirement of Jane Boles. Ms. Myrick also introduced Ms. Patricia Chatman, Deputy Executive Director for Community Development and Multifamily Programs. Ms. Chatman briefly shared her education and employment background, communicating her enthusiasm for helping people in need of affordable housing.

Ms. Myrick referenced the monthly report and offered to answer questions regarding the monthly report. There were no questions.

Chairman Latimer reported on Bond Finance Committee items. Mr. Latimer advised that the Bond Finance Committee reviewed and recommends approval of the Schedule of Financing for Fiscal Year 2005-2006 as proposed by staff, a copy of which is in the Board packet. Mr. Latimer called for a motion to approve the Schedule of Financing. If approved, the Schedule of Financing will go to the State Funding Board. The Schedule of Financing reflects \$300 million in bonds to produce funds for mortgage loans during Fiscal Year 2005-2006 and \$450 million in notes, if needed, to preserve volume cap. Mr. Reed moved approval. Ms. Butterworth seconded. The motion carried unanimously.

Chairman Latimer called attention to documents related to a new bond issue, Issue 2005-1. Ms. Lynn Miller, Deputy Executive Director for Policy Development and General Counsel, advised that the Bond Finance Committee adopted a plan of financing for this bond issue in the maximum amount of \$100 million and recommends this transaction. By adopting the resolution in the Board packet, Issue 2005-1 will be authorized and the Bond Finance Committee will be authorized to carry out the bond issue in accordance with the plan of financing. Mr. Reed entered a motion to adopt the resolution. Mr. Bruce seconded. The motion passed.

Mr. Rainey, Policy & Programs Committee Chairman, reported that members reviewed a loan servicer's request to purchase certain low-balance loans from THDA. Mr. Rainey advised that the Committee prefers selling low-balance mortgages to servicers on a break even basis. Based on the sense of the Bond Finance Committee and the Policy & Programs Committee, staff prepared a policy outline for responding to future requests of this nature. The Policy & Programs Committee recommended deferral of the item until the July Board meeting.

Chairman Latimer updated members that Issue 2005-1 will be the first bond issue since the selection of the new underwriting team for THDA. So, the Bond Finance Committee determined that, in connection with the negotiated sale of these bonds, Morgan Keegan will act as the bookrunning senior underwriter, with UBS and Merrill Lynch also working as underwriters. No Board action was required.

Chairman Latimer reported on Audit & Budget Committee items. He shared that the Agency's State Audit begins May 24, 2005, and is expected to end in September. The Agency recently selected, on a competitive basis, Hartford Fire Insurance Company for THDA's errors and omissions policy.

Mr. Ron Erickson, Director of Internal Audit, advised that the Agency's annual assurance of compliance with the Financial Integrity Act is due by June 30, 2005, and staff is prepared to furnish the letter of assurance timely.

Chairman Latimer moved on to the last Audit & Budget agenda item, the selection process for Executive Director. Mr. Latimer stressed that it is very important that a candidate be selected by the September Board meeting. The Board reviews and approves the Agency budget at the September Board meeting and it is to the Board and Agency's benefit that Ms. Myrick remain as Executive Director through the budget process. Mr. Latimer introduced Ms. Lou Reynolds, Human Resources Manager. Ms. Reynolds is the staff person assigned to support members of a search committee to be formed to conduct the selection process.

Chairman Latimer called for a motion for the creation of the Search Committee to be comprised of members of the Audit & Budget Committee, with Mr. Bolding and Ms. Reynolds in the place of Mr. Perrey and Mr. Mottern. Mr. Perrey moved approval of the creation of the Search Committee with authority to finalize the Executive Director job description, set the salary range and carry out the selection process, up to and including making a recommendation to the Board. Mr. Nance seconded. The motion carried.

Upon the recommendation of the Audit & Budget Committee, Chairman Latimer opened the floor for a motion to change the Executive Director Salary Grade from 43 to 900. Mr. Latimer informed members that Grade 900 allows for flexibility in determining a minimum and maximum salary. Mr. Perrey moved approval of the salary grade change with an effective date to be determined by the Search Committee. Mr. Bruce seconded. Chairman Latimer opened the floor for discussion. Mr. Reed offered that there are a variety of 900 grade positions throughout state government, with varying salary ranges, and noted that salary data from other HFAs indicates salaries that are above those of Tennessee commissioner level positions. Mr. Reed urged members to be sensitive to this issue. The motion carried.

Chairman Latimer reported that the Audit & Budget Committee proposes that the Executive Director salary range be set with a minimum equal to the lowest commissioner salary and a maximum of \$126,000. Mr. Rainey moved approval of the salary range. Mr. Perrey seconded the motion. Chairman Latimer called for discussion. Mr. Reed again stressed that the Executive Director salary should not be higher than commissioner salaries. Mr. Perrey offered that the advertised salary range must be attractive to interest high quality applicants and added that he is comfortable with the Search Committee's ability to handle the sensitive salary issue. Ms. Cunningham added that it is unfortunate that Mr. Cooper, Governor Bredesen's representative, is not present and suggested that it would be wise to communicate with the Governor's Office on the salary issue. Mr. Reed suggested that consultation with constitutional officers and the General Assembly would be in order. Discussion continued.

Mr. Rainey withdrew his previous motion and offered the following motion: The Board of Directors authorizes the Search Committee to obtain approval for changing the Executive Director salary grade from 43 to 900 with a suggested salary range of \$95,000 to \$126,000 per year. The Committee may reduce either the maximum or minimum salary if it deems necessary, following consultation with appropriate officials. The Committee will not advertise the vacancy nor make a final determination without consultation and approval of these officials. Mr. Nance seconded the motion. The motion carried.

Chairman Latimer called on Mr. Reed to report on Grants Committee items. The Grants Committee reviewed and recommends approval of staff's recommendation regarding awarding of HOME 2005 funds as reflected in a memo dated May 9, 2005, from Coralee Holloway, Acting Director of Community Programs. Upon the Committee's recommendation, Mr. Reed moved approval of staff's recommendation. Mr. Bolding offered a second. The motion carried.

Regarding continuation of the ADDI Program for 2005, Mr. Reed reported that the 2005 federal ADDI allocation is \$469,604. The Committee reviewed staff's recommendations for 2005 contained in a memo dated May 9, 2005, from Ms. Holloway. The recommendation includes adding HOME administration funds so the total available in 2005 is \$1 million in order to serve more families. The Committee approved staff's recommendation with the exception of Item 3 (Assistance as Due on Sale Loans) in the referenced memo. Mr. Reed so moved. Mr. Rainey seconded. The motion carried.

Mr. Rainey reported on Policy & Programs Committee items. The first item was revisions to the multifamily payoff policy. Mr. Rainey gave a background on the need for a revision to the multifamily payoff policy. He reported that the Committee reviewed and

recommended changes to staff's proposed revision of the policy, and. Board members were provided with the revision incorporating those changes. Mr. Rainey moved approval of the multifamily payoff policy, as revised, which includes elimination of all prepayment fees. Mr. Perrey seconded. The motion carried. Mr. Bruce and Ms. Askew recused themselves.

Regarding the wholesale lending pilot expansion proposal as set forth in a memo from Ted Fellman, Deputy Executive Director for Single Family Programs and CFO, dated May 6, 2005, Mr. Rainey reported that the Committee recommends adoption of staff's recommendation to extend the wholesale lending option to other lenders across the state, subject to the criteria in the referenced memo. Mr. Rainey informed the Board that the Agency has been able to assist borrowers in underserved rural counties because of this pilot project. Chairman Latimer called for a motion. Mr. Perrey moved approval of staff's recommendation. Mr. Rainey seconded. The motion carried. Chairman Latimer requested that staff prepare maps detailing served counties prior to authorizing the wholesale lending program and following authorizing wholesale lending.

Mr. Rainey said that the Committee received a report that analyzed data on the relationship between homebuyer education and mortgage default. Staff hopes to provide a better analysis in this area as more complete data becomes available.

Chairman Latimer asked Ms. Myrick to provide information on Other Matters. Ms. Myrick encouraged members to complete and return disclosure forms in order for staff to review them and report at the September meeting.

Regarding Federal legislation, Ms. Myrick shared several items. Funding cuts in the Section 8 Voucher Program are still uncertain and members are urged to voice their support of continued funding levels. Legislation for a single family tax credit program has been introduced with proposed funding level equal to that of the multifamily tax credit program. The budget has not yet been approved although the House and the Senate have made some appropriations. Tax reform is a topic of much discussion and housing could be affected. Recent developments at FreddieMac and FannieMae may affect HFAs as these agencies are unsure of when their assets can be restated. At this point, FannieMae is restricted from buying tax exempt debt and there is discussion that FreddieMac and FannieMae may be required to dedicate an additional 5% of their profits to affordable housing programs in the form of grants. Estimates are that Tennessee could receive \$9 million should this occur. Chairman Latimer noted that housing takes the largest budget cuts and is considered domestic discretionary spending and stressed the need for making wise program and financial decisions.

Regarding Tennessee legislation, Ms. Myrick advised that the HOUSE Bill (SB1136/HB0993) was rolled until next year although non-profits and other groups gave much support to the legislation. Mr. Bruce shared that Representative Vaughn was recently interviewed by *Tennessee Town & City* and stated his support of reinstatement of the HOUSE Program saying that it is tragic that Tennessee does not spend any revenue dollars for housing programs with all housing money comes from the Federal government. Mr. Bruce encouraged his colleagues to express appreciation to Representative Vaughn for his support of affordable housing.

Ms. Myrick advised that THDA's budget is expected to be approved, but without the \$1.3 million improvement item approved by the Board.

The Department of Revenue is drafting legislation that could assist affordable housing at the state level via a tax credit on excise taxes. THDA potential involvement is not yet clear.

Mr. Latimer reported that SB 0387/HB 0969 failed on a 9-7 vote in House Committee. The proposed legislation would have allowed low income housing tax credit properties to be taxed according to income versus value. The legislation was introduced to alleviate property tax burdens on approximately 18,000 units put in place prior to 2000. The legislation was opposed by appraisers and misinformation was disseminated claiming that out-of-state developers were reaping the benefits of Tennessee's low income housing tax credit program. Chairman Latimer also shared his concern that one opponent of the legislation said that THDA was on record as opposing the legislation, which was untrue. Ms. Miller stated that prior to a conversation she had with the same individual she advised him that he was wrong, and he responded that he would correct the record. It is unclear whether that has been done. Mr. Latimer said that in the House Committee meeting, he stressed that THDA had no official position on the proposed legislation; however, he responded that there was wisdom in taxing the properties on income instead of value due to concerns that these properties will fall into disrepair for lack of maintenance. Finally, Chairman Latimer urged Board members to plan on being more involved in the legislative process during the next session in order to dissuade misinformation brought before the General Assembly and to indicate the Agency's position on proposed legislation. Ms. Myrick noted that a decision was made many years ago that the Agency would have no position on tax legislation. Agency staff responds with information on how certain tax legislation would impact the low income housing tax credit programs. Ms. Myrick added that this is an area that the Board could certainly revisit.

Ms. Myrick asked members to let her know as soon as possible if they are interested in attending the NCSHB Educational & Development Workshop in Colorado Springs August 14-16. Travel approval must be requested and received prior to attendance. Ms. Myrick encouraged members to take advantage of this conference.

Ms. Myrick called attention to a letter of gratitude received from a disabled resident whose home was recently improved through the HOME Program. She said that this kind of correspondence makes the Agency's mission very clear.

Mr. Konohia reported that the Black Caucus Homeownership & Wealth Building Task Force has planned homeownership fairs on June 18 statewide marking the kickoff of the State Legislative Black Caucus Commission. Mr. Konohia encouraged members to attend one of these fairs.

On the Predatory Lending Task Force, Mr. Bolding reported that proposed legislation did not pass this year, but members will continue to promote it. Interest continues to grow with Memphis Area Legal Services, NAACP, AARP, Association of Realtors, and other groups joining.

Lorrie Shearon, Director of Research, Planning & Technical Services, recapped the December planning session and referred Board members to her memo dated May 9, 2005. She summarized the issues developed from the session and the status of issues that staff has already begun to address. The Comptroller's Office released its housing study which includes several recommended actions. Staff requested that Board members decide the relative priority of the issues. Board members were asked individually to indicate priority of the issues raised and staff will tally the results and take action according to those results.

With no other business to come before the Board, the meeting adjourned.

Respectfully submitted,

Janice L. Myrick  
Executive Director

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